

OLIN CONSOLIDATED SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2011

OLIN CONSOLIDATED SCHOOL DISTRICT

Table of Contents

June 30, 2011

	<u>Page</u>
<b>Officials</b>	1
<b>Independent Auditor's Report</b>	2-3
<b>Management's Discussion and Analysis</b>	4-13
<b>Basic Financial Statements</b>	<u>Exhibit</u>
Government-wide Financial Statements	
Statement of Net Assets	A 15-16
Statement of Activities	B 17-18
Governmental Fund Financial Statements	
Balance Sheet	C 19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 20
Statement of Revenues, Expenditures and Changes in Fund Balances	E 21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements	
Statement of Net Assets	G 24
Statement of Revenues, Expenses and Changes in Net Assets	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	J 27
Statement of Changes in Fiduciary Net Assets	K 28
<b>Notes to Financial Statements</b>	29-45
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	47
Notes to Required Supplementary Information - Budgetary Reporting	48
Schedule of Funding Progress for the Retiree Health Plan	49

OLIN CONSOLIDATED SCHOOL DISTRICT

Table of Contents

June 30, 2011

<b>Other Supplementary Information</b>	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds		
Combining Balance Sheet	1	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	53-54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	55
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u></b>		56-57
<b>Schedule of Findings</b>		58-60
<b>Audit Staff</b>		61

OLIN CONSOLIDATED SCHOOL DISTRICT  
Officials  
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Mike Hansen	Board President	2011
Kevin Hirl	Board Member	2011
Rob Strawn	Board Member	2011
Tina Meyer	Board Member	2013
Derek Summers	Board Member	2013
<b>School Officials</b>		
Jayne Richardson	Superintendent	2011
Carrie Fortin	District Secretary/Treasurer and Business Manager	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

**KAY L. CHAPMAN, CPA PC**

119 West Mississippi Suite 3  
Muscatine, Iowa 52761  
563-264-1385

Independent Auditor's Report

To the Board of Education  
Olin Consolidated School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District, Olin, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Olin Consolidated School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 9, 2012 on my consideration of Olin Consolidated School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 47 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Olin Consolidated School District's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2011, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 9, 2012

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Olin Consolidated School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,566,747 in fiscal 2010 to \$2,824,771 in fiscal 2011, and General Fund expenditures increased from \$2,854,513 in fiscal 2010 to \$2,962,550 in fiscal 2011. The District's General Fund balance decreased from \$(133,221) in fiscal 2010 to \$(271,000) in fiscal 2011, a 103% decrease.
- The increase in General Fund revenues was attributable to the following: Due to the increase of cash reserve because of the special education deficit and the Microsoft settlement money received. The increase in expenditures was attributed to the following: Increase of transportation costs due to sharing sports, the Microsoft settlement money spent and increased open enrollment out costs.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Olin Consolidated School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Olin Consolidated School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Olin Consolidated School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

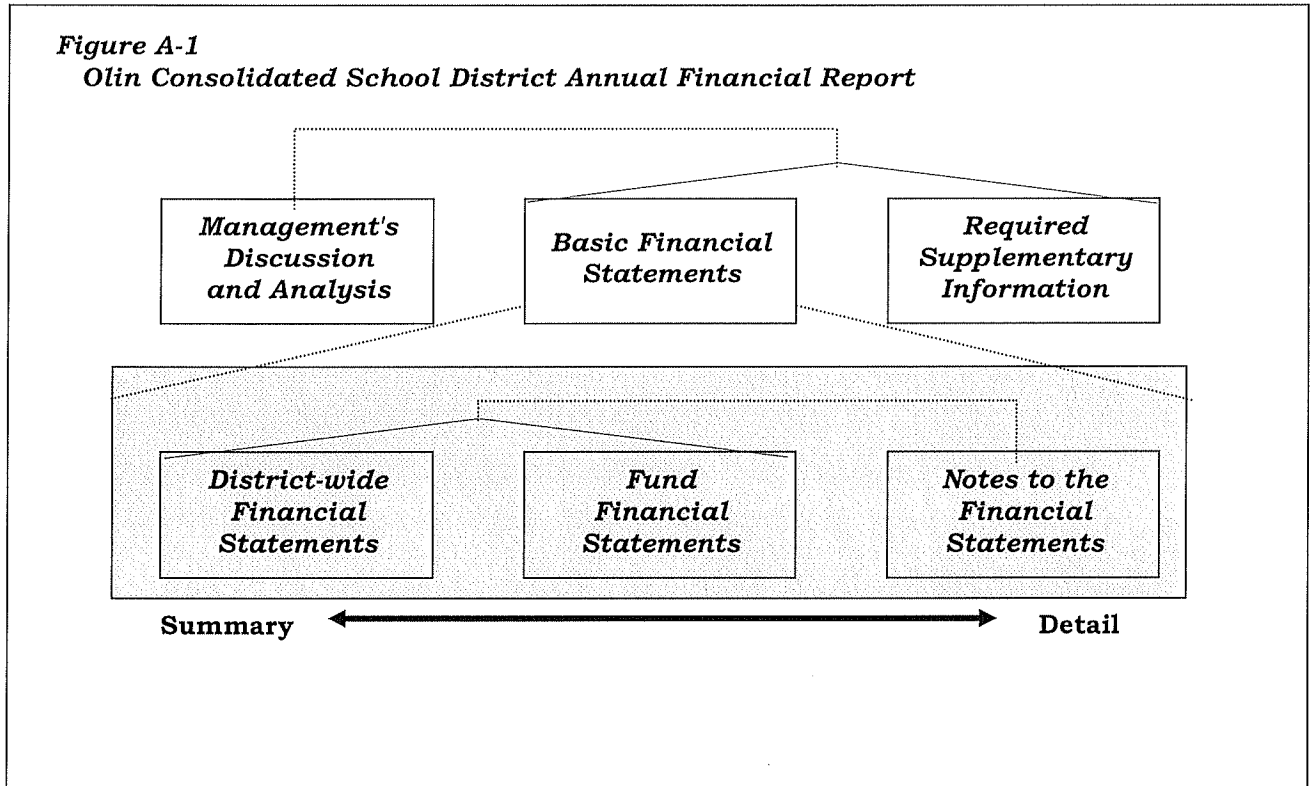




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary fund:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business type activity, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-purpose Trust Fund.

- Private-purpose Trust Fund - The District accounts for outside donations for scholarships for individuals in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary fund include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change 2010- 2011
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Current and other assets	\$ 2,203,880	\$ 2,236,037	\$ 4,230	\$ 22,225	\$ 2,208,110	\$ 2,258,262	-2.22%
Capital assets	<u>1,697,327</u>	<u>1,706,045</u>	<u>24,403</u>	<u>12,091</u>	<u>1,721,730</u>	<u>1,718,136</u>	0.21%
Total assets	<u>3,901,207</u>	<u>3,942,082</u>	<u>28,633</u>	<u>34,316</u>	<u>3,929,840</u>	<u>3,976,398</u>	-1.17%
Long-term liabilities	134,587	201,351	-	-	134,587	201,351	-33.16%
Other liabilities	<u>1,686,048</u>	<u>1,507,998</u>	<u>7,672</u>	<u>7,599</u>	<u>1,693,720</u>	<u>1,515,597</u>	11.75%
Total liabilities	<u>1,820,635</u>	<u>1,709,349</u>	<u>7,672</u>	<u>7,599</u>	<u>1,828,307</u>	<u>1,716,948</u>	6.49%
Net assets							
Invested in capital assets,							
net of related debt	1,612,327	1,536,045	24,403	12,091	1,636,730	1,548,136	5.72%
Restricted	716,733	769,446	-	-	716,733	769,446	-6.85%
Unrestricted	<u>(248,488)</u>	<u>(72,758)</u>	<u>(3,442)</u>	<u>14,626</u>	<u>(251,930)</u>	<u>(58,132)</u>	333.38%
Total net assets	<u>\$ 2,080,572</u>	<u>\$ 2,232,733</u>	<u>\$ 20,961</u>	<u>\$ 26,717</u>	<u>\$ 2,101,533</u>	<u>\$ 2,259,450</u>	-6.99%

The District's combined net assets decreased by approximately 7%, or \$157,917, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$52,713, or approximately 7% from the prior year. The decrease was primarily a result of not levying Management funds for the 2010-11 school year (approximately \$40,000). Also we purchased new playground equipment from the PERL Fund which resulted in a decrease of approximately \$17,000.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$193,798, or approximately 333%. This decrease in unrestricted net assets was a result of the District's expenditures growing at a faster pace than revenues and using reserve balances.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

Figure A-4 Change in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Revenues							
Program revenues							
Charges for service	\$ 197,373	\$ 219,970	\$ 37,154	\$ 46,450	\$ 234,527	\$ 266,420	-11.97%
Operating grants, contributions & restricted interest	504,240	545,994	69,856	65,972	574,096	611,966	-6.19%
General revenues							
Property tax	1,312,851	1,225,479	-	-	1,312,851	1,225,479	7.13%
Statewide sales, services and use tax	157,478	135,880	-	-	157,478	135,880	15.89%
Unrestricted state grants	930,246	715,019	-	-	930,246	715,019	30.10%
Contributions and donations	-	1,500	-	-	-	1,500	-100.00%
Unrestricted investment earnings	1,067	6,498	7	32	1,074	6,530	-83.55%
Other	<u>125,759</u>	<u>8,536</u>	<u>-</u>	<u>-</u>	<u>125,759</u>	<u>8,536</u>	1373.28%
Total revenues	<u>3,229,014</u>	<u>2,858,876</u>	<u>107,017</u>	<u>112,454</u>	<u>3,336,031</u>	<u>2,971,330</u>	12.27%
Program expenses							
Governmental activities							
Instruction	2,254,870	2,206,869	-	-	2,254,870	2,206,869	2.18%
Support services	844,958	779,625	-	-	844,958	779,625	8.38%
Non-instructional programs	25,390	4,260	112,773	114,107	138,163	118,367	16.72%
Other	<u>255,957</u>	<u>172,164</u>	<u>-</u>	<u>-</u>	<u>255,957</u>	<u>172,164</u>	48.67%
Total expenses	<u>3,381,175</u>	<u>3,162,918</u>	<u>112,773</u>	<u>114,107</u>	<u>3,493,948</u>	<u>3,277,025</u>	6.62%
Change in net assets	(152,161)	(304,042)	(5,756)	(1,653)	(157,917)	(305,695)	-48.34%
Net assets, beginning of year	<u>2,232,733</u>	<u>2,536,775</u>	<u>26,717</u>	<u>28,370</u>	<u>2,259,450</u>	<u>2,565,145</u>	-11.92%
Net assets, end of year	<u>\$ 2,080,572</u>	<u>\$ 2,232,733</u>	<u>\$ 20,961</u>	<u>\$ 26,717</u>	<u>\$ 2,101,533</u>	<u>\$ 2,259,450</u>	-6.99%

In fiscal 2011, property tax and unrestricted state grants account for approximately 69% of the revenue from governmental activities while charges for

service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$3,336,031 of which \$3,229,014 was for governmental activities and \$107,017 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12% increase in revenues and a 7% increase in expenses. From FY10 to FY11 the District increased cash reserve due to the special education deficit. The District did some staff reductions also which held our expenditure growth to 7%.

### Governmental Activities

Revenues for governmental activities were \$3,229,014 and expenses were \$3,381,175 for the year ended June 30, 2011. The District has begun a class sharing arrangement with a neighboring district and made significant staff reductions in the attempt to balance revenue and expenditures.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 2,254,870	\$ 2,206,869	2.2%	\$ 1,656,423	\$ 1,545,355	7.2%
Support services	844,958	779,625	8.4%	843,767	775,918	8.7%
Non-instructional programs	25,390	4,260	496.0%	25,390	4,260	-496.0%
Other	<u>255,957</u>	<u>172,164</u>	48.7%	<u>153,982</u>	<u>71,421</u>	115.6%
Total	<u>\$ 3,381,175</u>	<u>\$ 3,162,918</u>	6.9%	<u>\$ 2,679,562</u>	<u>\$ 2,396,954</u>	11.8%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$197,373.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$504,240.
- The net cost of governmental activities was financed with \$1,470,329 in property and other taxes and \$930,246 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$107,017 representing a 5% decrease from the prior year while expenses totaled \$112,773, a 1% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District did not increase meal prices. Lower number of students equals less participation which is less revenue. The District's reduced labor costs to offset the reduced revenue.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Olin Consolidated School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$424,147, well below last year's ending fund balances of \$639,749. The primary reason for the decrease was the General Fund expenditures exceeding revenue using reserves and not levying for the Management Fund and using fund balance.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of declining enrollment and the elimination of the budget guarantee. Other factors are salary increases and other economic factors that affect expenditures such as fuel costs.
- The General Fund balance decreased from \$(133,221) in 2010 to \$(271,000) in 2011, due to declining revenue and increasing expenditures.
- The Statewide Sales, Services and Use Tax Fund balance decreased slightly to \$460,996 in 2011 from \$466,450 in 2010 due to less revenue.
- The Physical Plant and Equipment Levy Fund balance increased from \$143,078 in 2010 to \$174,632 in 2011 due to less building maintenance project this year.

### **Proprietary Fund Highlights**

Enterprise Fund net assets decreased from \$26,717 at June 30, 2010 to \$20,961 at June 30, 2011, representing a decrease of approximately 22%. For fiscal 2011, the District did not increase meal prices. The District continued its ala carte options to provide students with the option of salad bar at lunch. Less students equals less participation which equals less revenue.

## **BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2011, Olin Consolidated School District did not amend its annual budget.

The District's revenues were \$132,293 less than budgeted revenues, a variance of approximately 4%. The most significant variance resulted from less local and state sources than projected.

Total expenditures were \$752,469 less than budgeted, due primarily to the District's budget for all funds. It is the District's practice to budget expenditures at the maximum authorized spending authority for all funds. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$1,721,730, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of less than 1% over last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$84,806.

The original cost of the District's capital assets was \$3,632,004. Governmental funds account for \$3,570,208, with the remainder of \$61,797 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment category totaled \$320,922 at June 30, 2010 compared to \$356,358 at June 30, 2011. This increase was due to the purchase of 60 laptops and carts, a Ford Excursion and the new playground.

Figure A-6

#### Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change <u>2010-</u> <u>2011</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Land and improvements	\$ 61,296	\$ 61,296	\$ -	\$ -	\$ 61,296	\$ 61,296	0.00%
Buildings and improvements	1,304,076	1,335,918	-	-	1,304,076	1,335,918	-2.38%
Site improvements	-	-	-	-	-	-	0.00%
Furniture and equipment	<u>331,955</u>	<u>308,831</u>	<u>24,403</u>	<u>12,091</u>	<u>356,358</u>	<u>320,922</u>	11.04%
Totals	<u>\$1,697,327</u>	<u>\$1,706,045</u>	<u>\$24,403</u>	<u>\$12,091</u>	<u>\$1,721,730</u>	<u>\$1,718,136</u>	0.21%

### Long-Term Debt

At June 30, 2011, the District had \$134,587 in total long-term debt outstanding. This represents a decrease of approximately 33% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$3.6 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	District		Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Revenue bonds	\$ 85,000	\$ 170,000	-50.00%
Termination benefits	31,231	21,929	42.42%
Net OPEB liability	<u>18,356</u>	<u>9,422</u>	94.82%
Totals	<u>\$134,587</u>	<u>\$201,351</u>	-33.16%

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District continues to experience declining enrollment. The District's enrollment in September 2011 declined by 17 which will affect the 12-13 budget. The decline in enrollment over several years drastically effects revenue.
- Wage settlements with the Olin Education Association (OEA) average 4% increase annually. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- Starting with the 2012-13 school year the school district has entered into a three year whole-grade sharing agreement for grades 7-12 to attend the Anamosa Community School. This sharing has allowed for staff reductions and cost savings.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carrie Fortin, District Secretary/Treasurer and Business Manager, Olin Consolidated School District, 212 Trilby Street, PO Box 320, Olin, IA 52320.



## Basic Financial Statements

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 666,979	\$ 1,245	\$ 668,224
Receivables			
Property tax			
Delinquent	33,062	-	33,062
Succeeding year	1,265,443	-	1,265,443
Accounts receivable	60,092	-	60,092
Income surtax	93,538	-	93,538
Due from other governments	84,766	-	84,766
Inventories	-	2,985	2,985
Non-depreciable capital assets	61,296	-	61,296
Capital assets, net of accumulated depreciation	<u>1,636,031</u>	<u>24,403</u>	<u>1,660,434</u>
Total assets	<u>3,901,207</u>	<u>28,633</u>	<u>3,929,840</u>
<b>Liabilities</b>			
Accounts payable	182,302	74	182,376
Salaries and benefits payable	238,076	6,816	244,892
Accrued interest payable	227	-	227
Deferred revenue			
Succeeding year property tax	1,265,443	-	1,265,443
Other	-	782	782
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	85,000	-	85,000
Termination benefits payable	31,231	-	31,231
Portion due after one year			
Net OPEB liability	<u>18,356</u>	<u>-</u>	<u>18,356</u>
Total liabilities	<u>1,820,635</u>	<u>7,672</u>	<u>1,828,307</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$1,612,327	\$ 24,403	\$1,636,730
Restricted for			
Categorical funding	52,817	-	52,817
Student activities	21,392	-	21,392
Management levy purposes	1,485	-	1,485
Physical plant and equipment	174,632	-	174,632
Public education and recreation	5,411	-	5,411
Capital projects	460,996	-	460,996
Unrestricted	<u>(248,488)</u>	<u>(3,442)</u>	<u>(251,930)</u>
Total net assets	<u>\$2,080,572</u>	<u>\$ 20,961</u>	<u>\$2,101,533</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs Governmental activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		
					Governmental Business Type Activities	Activities
Instruction						
Regular instruction	\$ 1,480,074	\$ 191,172	\$ 323,702	\$ -	\$ (965,200)	\$ (965,200)
Special instruction	411,463	4,427	69,366	-	(337,670)	(337,670)
Other instruction	363,333	583	9,197	-	(353,553)	(353,553)
	2,254,870	196,182	402,265	-	(1,656,423)	(1,656,423)
Support services						
Student	72,466	-	-	-	(72,466)	(72,466)
Instructional staff	76,040	-	-	-	(76,040)	(76,040)
Administration	274,546	-	-	-	(274,546)	(274,546)
Operation and maintenance of plant	227,936	-	-	-	(227,936)	(227,936)
Transportation	193,970	1,191	-	-	(192,779)	(192,779)
	844,958	1,191	-	-	(843,767)	(843,767)
Non-instructional programs	25,390	-	-	-	(25,390)	(25,390)
Other expenses						
Facilities acquisition	112,481	-	-	-	(112,481)	(112,481)
Long-term debt interest	4,250	-	-	-	(4,250)	(4,250)
AEA flowthrough	101,975	-	101,975	-	-	-
Depreciation (unallocated) *	37,251	-	-	-	(37,251)	(37,251)
	255,957	-	101,975	-	(153,982)	(153,982)
Total governmental activities	3,381,175	197,373	504,240	-	(2,679,562)	(2,679,562)

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest				
	Charges for Services	Interest	Capital Grants, Contributions and Restricted Interest		
<u>Expenses</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>Activities</u>	<u>Activities</u>
<b><u>Functions/Programs (continued)</u></b>					
Business type activities	\$ 112,773	\$ 37,154	\$ -	\$ (5,763)	\$ (5,763)
Non-instructional programs	\$ 3,493,948	\$ 234,527	\$ -	(2,679,562)	(2,685,325)
Food service operations					
Total					
<b><u>General Revenues</u></b>					
Property tax levied for					
General purposes					
Public education and recreation					
Capital outlay					
Statewide sales, services and use tax					
Unrestricted state grants					
Unrestricted investment earnings					
Other					
Total general revenues					
Change in net assets					
Net assets, beginning of year					
Net assets, end of year					

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2011

		Capital Projects			
		Statewide	Physical	Nonmajor	
		Sales, Services	Plant and	Special	
		and Use Tax	Equipment	Revenue	
	General		Levy	Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ -	\$ 391,354	\$185,080	\$ 90,545	\$ 666,979
Receivables					
Property tax					
Delinquent	30,434	-	1,977	651	33,062
Succeeding year	1,095,046	-	75,240	95,157	1,265,443
Accounts receivable	58,999	15	1,076	2	60,092
Income surtax	93,538	-	-	-	93,538
Due from other funds	-	50,128	-	-	50,128
Due from other governments	45,704	39,062	-	-	84,766
Total assets	<u>\$1,323,721</u>	<u>\$ 480,559</u>	<u>\$263,373</u>	<u>\$ 186,355</u>	<u>\$2,254,008</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 149,238	\$ 19,563	\$ 13,501	\$ -	\$ 182,302
Salaries and benefits payable	206,397	-	-	31,679	238,076
Due to other fund	50,128	-	-	-	50,128
Deferred revenue					
Succeeding year property tax	1,095,046	-	75,240	95,157	1,265,443
Income surtax	93,538	-	-	-	93,538
Other	374	-	-	-	374
Total liabilities	<u>1,594,721</u>	<u>19,563</u>	<u>88,741</u>	<u>126,836</u>	<u>1,829,861</u>
<b>Fund balances</b>					
Restricted for					
Categorical funding	52,817	-	-	-	52,817
School infrastructure	-	460,996	-	-	460,996
Physical plant and equipment	-	-	174,632	-	174,632
Student activities	-	-	-	21,392	21,392
Management levy purposes	-	-	-	32,716	32,716
Public education and recreation	-	-	-	5,411	5,411
Unassigned	(323,817)	-	-	-	(323,817)
Total fund balances	<u>(271,000)</u>	<u>460,996</u>	<u>174,632</u>	<u>59,519</u>	<u>424,147</u>
Total liabilities and fund balances	<u>\$1,323,721</u>	<u>\$ 480,559</u>	<u>\$263,373</u>	<u>\$ 186,355</u>	<u>\$2,254,008</u>
See notes to financial statements.					

OLIN CONSOLIDATED SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2011

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$ 424,147</b>
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,697,327
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	93,912
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(227)
Long-term liabilities, including notes payable and termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(134,587)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$2,080,572</u></u></b>

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

Exhibit E

		Capital Projects			
		Statewide	Physical	Nonmajor	
	General	Sales, Services and Use Tax	Plant and Equipment Levy	Governmental Funds	Total
Revenues					
Local sources					
Local tax	\$1,203,997	\$157,478	\$ 72,057	\$ 23,719	\$1,457,251
Tuition	51,154	-	-	-	51,154
Other	127,297	426	85,233	60,090	273,046
State sources	1,257,411	-	44	17	1,257,472
Federal sources	184,912	-	-	-	184,912
Total revenues	<u>2,824,771</u>	<u>157,904</u>	<u>157,334</u>	<u>83,826</u>	<u>3,223,835</u>
Expenditures					
Current					
Instruction					
Regular	1,426,355	-	-	20,043	1,446,398
Special	410,257	-	-	-	410,257
Other	299,053	-	-	80,610	379,663
	<u>2,135,665</u>	<u>-</u>	<u>-</u>	<u>100,653</u>	<u>2,236,318</u>
Support services					
Student	71,741	-	-	-	71,741
Instructional staff	36,730	-	26,032	13,091	75,853
Administration	279,060	-	10,561	1,548	291,169
Operation & maintenance of plant	181,677	-	1,670	43,453	226,800
Transportation	155,702	25,492	-	3,641	184,835
	<u>724,910</u>	<u>25,492</u>	<u>38,263</u>	<u>61,733</u>	<u>850,398</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,363</u>	<u>25,363</u>
Other expenditures					
Facilities acquisition	-	48,400	87,517	-	135,917
Long-term debt					
Principal	-	-	-	85,000	85,000
Interest and fiscal charges	-	-	-	4,466	4,466
AEA flowthrough	101,975	-	-	-	101,975
	<u>101,975</u>	<u>48,400</u>	<u>87,517</u>	<u>89,466</u>	<u>327,358</u>
Total expenditures	<u>2,962,550</u>	<u>73,892</u>	<u>125,780</u>	<u>277,215</u>	<u>3,439,437</u>

See notes to financial statements.



OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

Exhibit E

	<u>Capital Projects</u>				
		Statewide	Physical	Nonmajor	
	<u>General</u>	<u>Sales, Services</u>	<u>Plant and</u>	<u>Governmental</u>	
		<u>and Use Tax</u>	<u>Equipment</u>	<u>Funds</u>	<u>Total</u>
			<u>Levy</u>		
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (137,779)</u>	<u>\$ 84,012</u>	<u>\$ 31,554</u>	<u>\$ (193,389)</u>	<u>\$ (215,602)</u>
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	89,466	89,466
Interfund operating transfers (out)	<u>-</u>	<u>(89,466)</u>	<u>-</u>	<u>-</u>	<u>(89,466)</u>
Total other financing sources (uses)	<u>-</u>	<u>(89,466)</u>	<u>-</u>	<u>89,466</u>	<u>-</u>
Net change in fund balances	(137,779)	(5,454)	31,554	(103,923)	(215,602)
Fund balance, beginning of year, as restated	<u>(133,221)</u>	<u>466,450</u>	<u>143,078</u>	<u>163,442</u>	<u>639,749</u>
Fund balance, end of year	<u>\$ (271,000)</u>	<u>\$ 460,996</u>	<u>\$ 174,632</u>	<u>\$ 59,519</u>	<u>\$ 424,147</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2011

Exhibit F

**Net change in fund balances - total governmental funds** \$ (215,602)

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 72,934	
Depreciation expense	<u>(81,652)</u>	(8,718)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds.	5,178
---	-------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	85,000
---	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Termination benefits	(9,302)	
Other postemployment benefits	<u>(8,934)</u>	(18,236)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>217</u>
---	------------

<b>Change in net assets of governmental activities</b>	<u><u>\$ (152,161)</u></u>
--	----------------------------

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011

Exhibit G

	Nonmajor Enterprise <u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,245
Inventories	2,985
Capital assets, net of accumulated depreciation	<u>24,403</u>
Total assets	<u>28,633</u>
<b>Liabilities</b>	
Accounts payable	74
Salaries and benefits payable	6,816
Deferred revenue	<u>782</u>
Total liabilities	<u>7,672</u>
<b>Net Assets</b>	
Invested in capital assets	24,403
Unrestricted	<u>(3,442)</u>
Total net assets	<u><u>\$ 20,961</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2011

Exhibit H

	<u>Nonmajor Enterprise School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 37,154</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	37,305
Benefits	5,540
Purchased services	2,245
Supplies	64,529
Depreciation	<u>3,154</u>
Total operating expenses	<u>112,773</u>
Operating loss	<u>(75,619)</u>
Non-operating revenues	
Interest income	7
State sources	944
Federal sources	<u>68,912</u>
Total non-operating revenues	<u>69,863</u>
Net loss	(5,756)
Net assets, beginning of year	<u>26,717</u>
Net assets, end of year	<u><u>\$ 20,961</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2011

Exhibit I

	Nonmajor Enterprise School Nutrition
Cash flows from operating activities	
Cash received from sale of services	\$ 36,938
Cash payments to employees for services	(42,593)
Cash payments to suppliers for goods and services	(62,073)
Net cash used in operating activities	<u>(67,728)</u>
Cash flows from non-capital financing activities	
State grants received	944
Federal grants received	64,340
Net cash provided by non-capital financing activities	<u>65,284</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(15,465)</u>
Cash flows from investing activities	
Interest on investments	<u>7</u>
Net decrease in cash and cash equivalents	(17,902)
Cash and cash equivalents, beginning of year	19,147
Cash and cash equivalents, end of year	<u><u>\$ 1,245</u></u>

**Reconciliation of operating loss to net cash  
used in operating activities**

Operating loss	\$(75,619)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,154
Commodities used	4,572
Decrease in accounts receivable	2
Decrease in inventory	91
Increase in accounts payable	39
(Decrease) in deferred revenue	(219)
Increase in accrued salaries and benefits	252
Net cash used in operating activities	<u><u>\$(67,728)</u></u>

**Non-cash investing, capital and related financing activities**

During the year ended June 30, 2011 the District received \$4,572 of federal commodities.

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2011

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	\$3,005
<b>Liabilities</b>	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u>\$3,005</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2011

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$    5
Deductions	<u>-</u>
Change in net assets	5
Net assets, beginning of year	<u>3,000</u>
Net assets, end of year	<u><u>\$ 3,005</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2011

**Note 1. Summary of Significant Accounting Policies**

The Olin Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Olin, Iowa, and the agricultural territory in Jones County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Olin Consolidated School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Olin Consolidated School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:



*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Project - Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The Capital Projects - Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars assessed valuation in the District for use in the purchase of equipment and repairing and improving buildings and grounds.

The District reports no major proprietary funds. However, it reports one nonmajor enterprise fund, the School Nutrition Fund which is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting

Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2011. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax and income surtax and other receivables not collected within sixty days after year-end and payments from students for meals not yet served.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and payments from students for meals not yet served.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$1,485 for management levy purposes, \$174,632 for physical plant and equipment, \$5,411 for public education and recreation, \$21,392 for student activities and \$460,996 for school infrastructure.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the IPAS education as follows:

	Amortized
	Cost
Institutional Money Market Fund	<u>\$619,531</u>

At June 30, 2011, the District had investments in the IPAS education Program (the Fund) which invests in liquid investments that are placed in an SEC-registered money market fund in accordance with 17 C.F.R Section 270. 2a-7. The investments are valued at fair market value, which approximates amortized cost.

Interest rate risk. Because the Fund invests in short-term securities, a decline in interest rates will affect the Fund's yields as these securities mature or are sold and the Fund purchases new short-term securities with lower yields. Generally, an increase in interest rates causes the value of a debt instrument to decrease. The change in value for shorter-term securities is usually smaller than for securities with longer maturities.

Credit risk. This is the risk that a security's credit rating will be downgraded or that the issuer of a security or a guarantor will default (fail to make scheduled interest and principal payments or fail to fulfill its promise to repurchase securities). The Fund invests in securities issued by the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"). The entities, while chartered or sponsored by the U.S. Congress, are not funded by appropriations from the U.S. Congress and the debt or mortgage related securities issued by them are neither guaranteed nor insured by the United States Government. Nevertheless, the Fund will invest in only highly rated securities to minimize credit risk. This investment was not rated by Moody's Investor or Standard and Poor's Services.

### Note 3. Due From and Due to Other Fund

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Statewide Sales, Services and Use Tax	General	\$ 50,128

The General Fund had a negative reconciled bank balance at June 30, 2011. Since the General Fund shares a bank account with the Statewide Sales, Services and Use Tax Fund, this negative cash balance is reported on the balance sheet as an interfund receivable in the Statewide Sales, Services and Use Tax Fund and an interfund payable in the General Fund.

### Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Statewide Sales, Services and Use Tax Fund	\$ -	\$ 89,466
Non-major governmental funds		
Debt Service Fund	<u>\$ 89,466</u>	<u>-</u>
Total	<u>\$ 89,466</u>	<u>\$ 89,466</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for payment of principal and interest on general long-term debt of the District.

### Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land and improvements	<u>\$ 61,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,296</u>
Capital assets being depreciated:				
Buildings and improvements	2,093,379	-	-	2,093,379
Site improvements	65,000	-	-	65,000
Furniture and equipment	<u>1,277,599</u>	<u>72,934</u>	<u>-</u>	<u>1,350,533</u>
Total capital assets being depreciated	<u>3,435,978</u>	<u>72,934</u>	<u>-</u>	<u>3,508,912</u>

Less accumulated depreciation for:				
Buildings and improvements	757,461	31,842	-	789,303
Site improvements	65,000	-	-	65,000
Furniture and equipment	968,768	49,810	-	1,018,578
Total accumulated depreciation	<u>1,791,229</u>	<u>81,652</u>	<u>-</u>	<u>1,872,881</u>
Total capital assets being depreciated, net	<u>1,644,749</u>	<u>(8,718)</u>	<u>-</u>	<u>1,636,031</u>
Governmental activities capital assets, net	<u>\$1,706,045</u>	<u>\$ (8,718)</u>	<u>\$ -</u>	<u>\$1,697,327</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 50,768	\$ 15,466	\$(4,437)	61,797
Less accumulated depreciation	<u>38,677</u>	<u>3,154</u>	<u>(4,437)</u>	<u>37,394</u>
Business type activities capital assets, net	<u>\$ 12,091</u>	<u>\$ 12,312</u>	<u>\$ -</u>	<u>\$ 24,403</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$17,945
Support services	
Student support	552
Administration	4,188
Operation and maintenance	742
Transportation	<u>20,974</u>
	44,401
Unallocated depreciation	<u>37,251</u>
Total governmental activities depreciation expense	<u>\$81,652</u>

**Business type activities**

Food services	<u>\$ 3,154</u>
---------------	-----------------

**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Revenue bonds	\$ 170,000	\$ -	\$ 85,000	\$ 85,000	\$ 85,000
Termination benefits	21,929	31,231	21,929	31,231	31,231
Net OPEB liability	9,422	8,934	-	18,356	-
Totals	<u>\$ 201,351</u>	<u>\$40,165</u>	<u>\$ 106,929</u>	<u>\$134,587</u>	<u>\$116,231</u>



Interest costs incurred and charged to expense on all long-term debt was \$4,250 for the year ended June 30, 2011.

#### Termination Benefits

The District offered a voluntary early retirement plan to its certified employees. Eligible employees were required to be at least 55 years of age and have completed 20 years of consecutive service to the District. Employees working less than 20 years will be eligible for that proportion of the whole benefit that is equal to the ratio of years of service divided by 20. Employees must have completed an application, which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee is 80 days of pay at the employee's annual base salary in effect during the year of the early requirement request. Payment of the benefit will be made in full within 90 days of the July 1<sup>st</sup> of the year of separation.

At June 30, 2011, three individuals had taken early retirement and the District's outstanding obligation for this benefit was \$31,231. These benefits will be paid by the District's Management Fund during the year ending June 30, 2011.

#### Revenue Bonds

The District has pledged future statewide sales, services and use tax revenues to repay the \$610,000 bonds issued on April 1, 2003. The proceeds of the bonds were used to construct and furnish the Olin Attendance Center, specifically a new library and multi-purpose activity center. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2012. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$86,360. For the current year, \$89,016 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$157,478.

The resolution providing the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a. \$61,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited in the Project Account.
- b. The District is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the bond proceeds, (b) 125% of the average annual debt service on such bonds and (c) the maximum annual debt service on such bonds.

Details of the District's June 30, 2011 revenue anticipation bonded indebtedness are as follows:

Year Ending June 30, 2012	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
	3.200	\$ 85,000	\$ 1,360	\$ 86,360

#### **Note 7. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.5%, 4.30% and 4.10 % of their annual covered salary and the District was required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$101,601, \$106,612 and \$104,789, respectively, equal to the required contributions for each year.

#### **Note 8. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$101,975 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

## Note 11. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 52 active, of which 31 were excluded from the valuation due to various reasons, and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 13,292
Interest on net OPEB obligation	236
Adjustment to annual required contribution	<u>(1,055)</u>
Annual OPEB cost	12,473
Contributions made	<u>(3,539)</u>
Increase in net OPEB obligation	8,934
Net OPEB obligation beginning of year	<u>9,422</u>
Net OPEB obligation end of year	<u><u>\$ 18,356</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2011, the District contributed \$3,539 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 12,271	23.2%	\$ 9,422
2011	12,473	28.4%	18,356

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$56,183, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$56,183. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.5 million and the ratio of UAAL to covered payroll was 3.8%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **Note 12. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	
Home school assistance program	\$ 12,494
Beginning teacher mentoring and induction program	416
Teacher salary supplement	38,361
Educator quality, professional development for model core curriculum	549
Educator quality, market factor incentives	<u>997</u>
	<u>\$ 52,817</u>

## **Note 13. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue</u>
	Physical Plant and Equipment	Physical Plant and Equipment
	<u>Levy</u>	<u>Levy</u>
Balances June 30, 2010, as previously reported	\$ -	\$ 143,078
Change in fund type classification per implementation of GASB Statement No. 54	<u>143,078</u>	<u>(143,078)</u>
Balances July 1, 2010, as restated	<u>\$ 143,078</u>	<u>\$ -</u>

#### Note 14. New Governmental Accounting Standards Board (GASB) Statements

During the year ended June 30, 2011, the District implemented the following GASB statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

As of June 30, 2011, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and

disclosure requirements SCAs for both transferors and government operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

- GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statement to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncement issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which

is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The District’s management has not yet determined the effect these Statements will have on the District’s financial statements.

#### **Note 15. Deficit Balances**

The District had the following fund deficits at June 30, 2011:

- General Fund, unrestricted \$323,817
- General Fund, total fund balance \$271,000
- Governmental Activities, unrestricted \$248,488
- School Nutrition Fund, unrestricted \$3,442
- Business Type Activities, unrestricted \$3,442

#### **Note 16. Pending Litigation**

At June 30, 2011, the District was involved in a case of pending litigation. It is difficult to estimate the outcome of the litigation and the potential damages involved. Therefore, no liability for potential payments has been reported in the financial statements.



## Required Supplementary Information

# OLIN CONSOLIDATED SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Proprietary Fund Required Supplementary Information For the Year Ended June 30, 2011

	Governmental Funds		Proprietary Fund	Total	Budgeted Amounts		Final to Actual Variance
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Revenues							
Local sources	\$1,781,451	\$37,161		\$1,818,612	\$1,920,441	\$1,920,441	\$(101,829)
State sources	1,257,472	944		1,258,416	1,356,704	1,356,704	(98,288)
Federal sources	184,912	68,912		253,824	186,000	186,000	67,824
Total revenues	<u>3,223,835</u>	<u>107,017</u>		<u>3,330,852</u>	<u>3,463,145</u>	<u>3,463,145</u>	<u>(132,293)</u>
Expenditures/Expenses							
Instruction	2,236,318	-		2,236,318	2,440,435	2,440,435	204,117
Support services	850,398	-		850,398	857,000	857,000	6,602
Non-instructional programs	25,363	112,773		138,136	294,720	294,720	156,584
Other expenditures	327,358	-		327,358	712,524	712,524	385,166
Total expenditures/expenses	<u>3,439,437</u>	<u>112,773</u>		<u>3,552,210</u>	<u>4,304,679</u>	<u>4,304,679</u>	<u>752,469</u>
Net change in fund balance	(215,602)	(5,756)		(221,358)	(841,534)	(841,534)	620,176
Balance, beginning of year	639,749	26,717		666,466	988,183	988,183	(321,717)
Balance, end of year	<u>\$ 424,147</u>	<u>\$20,961</u>		<u>\$ 445,108</u>	<u>\$ 146,649</u>	<u>\$ 146,649</u>	<u>\$ 298,459</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 65,120	\$ 65,120	\$ -	\$ 1,590,970	4.1%
2011	July 1, 2009	\$ -	\$ 56,183	\$ 56,183	\$ -	\$ 1,493,461	3.8%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Other Supplementary Information

OLIN CONSOLIDATED SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2011

	Student <u>Activity</u>	Management <u>Levy</u>	Public Education & Recreation <u>Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$21,392	\$ 63,561	\$ 5,592	\$ 90,545
Receivables				
Property tax				
Delinquent	-	384	267	651
Succeeding year	-	85,000	10,157	95,157
Accounts receivable	-	2	-	2
Total assets	<u>\$21,392</u>	<u>\$148,947</u>	<u>\$ 16,016</u>	<u>\$186,355</u>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Salaries and benefits payable	\$ -	\$ 31,231	\$ 448	\$ 31,679
Deferred revenue				
Succeeding year property tax	-	85,000	10,157	95,157
Total liabilities	<u>-</u>	<u>116,231</u>	<u>10,605</u>	<u>126,836</u>
Fund balances				
Restricted for				
Student activities	21,392	-	-	21,392
Management levy purposes	-	32,716	-	32,716
Public education and recreation	-	-	5,411	5,411
Total fund balances	<u>21,392</u>	<u>32,716</u>	<u>5,411</u>	<u>59,519</u>
Total liabilities and fund balances	<u>\$21,392</u>	<u>\$148,947</u>	<u>\$ 16,016</u>	<u>\$186,355</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2

	Special Revenue				Total
	Student Activity	Management Levy	Public Education & Recreation Levy	Debt Service	
Revenues					
Local sources					
Local taxes	\$ -	\$ 13,992	\$ 9,727	\$ -	\$ 23,719
Other	59,981	77	32	-	60,090
State sources	-	9	8	-	17
Total revenues	<u>59,981</u>	<u>14,078</u>	<u>9,767</u>	<u>-</u>	<u>83,826</u>
Expenditures					
Current					
Instruction					
Regular	-	20,043	-	-	20,043
Other	58,907	21,703	-	-	80,610
Total instruction	<u>58,907</u>	<u>41,746</u>	<u>-</u>	<u>-</u>	<u>100,653</u>
Support services					
Instructional staff	-	13,091	-	-	13,091
Administration	-	1,548	-	-	1,548
Operation and maintenance of plant	-	41,693	1,760	-	43,453
Transportation	-	3,641	-	-	3,641
Total support services	<u>-</u>	<u>59,973</u>	<u>1,760</u>	<u>-</u>	<u>61,733</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>25,363</u>	<u>-</u>	<u>25,363</u>
Other expenditures					
Long-term debt					
Principal	-	-	-	85,000	85,000
Interest and fiscal charges	-	-	-	4,466	4,466
Total other expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,466</u>	<u>89,466</u>
Total expenditures	<u>58,907</u>	<u>101,719</u>	<u>27,123</u>	<u>89,466</u>	<u>277,215</u>
Excess (deficiency) of revenues over (under) expenditures	1,074	(87,641)	(17,356)	(89,466)	(193,389)
Other financing sources					
Interfund operating transfers in	-	-	-	89,466	89,466
Net change in fund balances	1,074	(87,641)	(17,356)	-	(103,923)
Fund balances, beginning of year, as restated	20,318	120,357	22,767	-	163,442
Fund balances, end of year	<u>\$ 21,392</u>	<u>\$ 32,716</u>	<u>\$ 5,411</u>	<u>\$ -</u>	<u>\$ 59,519</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity  
for the Year Ended June 30, 2011

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
General athletics	\$ -	\$ 1,529	\$ 1,529	\$ -
Boys basketball	400	5,207	5,607	-
Boys football	1,835	5,582	7,289	128
Boys baseball	139	399	538	-
Boys track	-	1,172	1,172	-
Girls volleyball	-	961	961	-
Girls softball	-	642	642	-
Girls track	-	1,147	1,147	-
Drama	1,172	-	-	1,172
Band/vocal	1,394	37	-	1,431
PE super sport	134	-	-	134
ELP fundraising	178	-	-	178
Title I fundraising	130	-	-	130
HS SCI club	1,111	374	473	1,012
Interest	779	807	847	739
Concession stand	380	3,696	2,865	1,211
Yearbook 2008-09	496	-	496	-
Cheerleading	341	20	361	-
FFA	2,771	6,637	3,732	5,676
Pom-pon	1,683	2,366	4,048	1
HS student council	1,089	1,994	2,801	282
Math club	40	-	-	40
Athletic resale	569	-	-	569
Activity resale	1,167	3,155	3,219	1,103
I.A. resale	262	150	133	279
School cents	-	1,100	-	1,100
Playground fund raiser	621	109	-	730
Yearbook 2009-10	(207)	750	1,104	(561)
Candy resale/industrial arts	64	-	-	64
Field trips	1,965	1,633	776	2,822
Wapsi League	1,058	495	379	1,174
Yearbook 2010-11	-	492	2,566	(2,074)
Music resale	-	34	-	34

See accompanying Independent Auditor's Report.



OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity  
for the Year Ended June 30, 2011

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Class of 2008	\$ 77	\$ -	\$ -	\$ 77
Class of 2010	177	-	177	-
Class of 2011	228	5,675	5,795	108
Class of 2012	248	9,892	6,626	3,514
Class of 2015	-	1,730	1,730	-
Class of 2016	-	319	-	319
Library books fund	17	1,877	1,894	-
Totals	<u>\$ 20,318</u>	<u>\$ 59,981</u>	<u>\$ 58,907</u>	<u>\$ 21,392</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Eight Years

Schedule 4

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues								
Local sources								
Local tax	\$1,457,251	\$1,352,394	\$1,328,377	\$1,289,067	\$1,221,115	\$1,261,054	\$1,103,347	\$ 985,865
Tuition	51,154	133,805	188,429	196,107	195,140	135,211	141,631	138,923
Other	273,046	102,399	180,461	202,653	181,100	157,115	127,149	176,713
State sources	1,257,472	1,006,187	1,331,417	1,295,023	1,238,393	1,149,570	1,404,505	1,252,588
Federal sources	184,912	254,257	118,313	115,255	110,762	108,852	134,412	675,155
Total revenues	<u>\$3,223,835</u>	<u>\$2,849,042</u>	<u>\$3,146,997</u>	<u>\$3,098,105</u>	<u>\$2,946,510</u>	<u>\$2,811,802</u>	<u>\$2,911,044</u>	<u>\$3,229,244</u>
Expenditures								
Current								
Instruction								
Regular	\$1,446,398	\$1,371,310	\$1,304,542	\$1,208,849	\$1,085,453	\$1,006,400	\$1,055,238	\$1,125,376
Special	410,257	554,873	407,573	373,021	445,043	334,170	272,467	370,646
Other	379,663	234,512	486,071	439,526	428,289	358,926	357,999	297,112
Support services								
Student	71,741	72,396	38,428	26,210	27,735	73,773	90,110	67,945
Instructional staff	75,853	51,656	43,600	32,795	39,805	51,793	70,641	50,089
Administration	291,169	284,596	304,201	269,966	254,561	268,665	331,405	318,802
Operation and maintenance of plant	226,800	239,362	251,808	235,720	230,471	221,176	238,578	179,969
Transportation	184,835	119,963	132,175	140,715	108,131	181,567	84,847	90,244
Non-instructional programs	25,363	4,260	7,893	10,504	7,132	6,872	1,383	44,829
Other expenditures								
Facilities acquisition	135,917	83,236	24,566	34,216	19,136	71,692	77,892	1,187,281
Long-term debt								
Principal	85,000	80,000	80,000	75,000	70,000	70,000	65,000	-
Interest and other charges	4,466	6,813	8,953	10,893	12,580	14,015	15,231	18,267
AEA flowthrough	101,975	100,743	97,205	93,442	91,381	89,392	92,552	88,481
Total expenditures	<u>\$3,439,437</u>	<u>\$3,203,721</u>	<u>\$3,187,015</u>	<u>\$2,950,857</u>	<u>\$2,819,717</u>	<u>\$2,748,441</u>	<u>\$2,753,343</u>	<u>\$3,839,041</u>

See accompanying Independent Auditor's Report.

**KAY L. CHAPMAN, CPA PC**

119 West Mississippi Drive, Suite 3  
Muscatine, Iowa 52761  
563-264-1385

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education  
Olin Consolidated School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 9, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Olin Consolidated School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Olin Consolidated School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Olin Consolidated School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

## Compliance and Other Matters

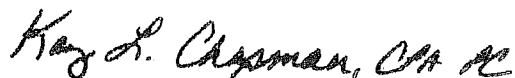
As part of obtaining reasonable assurance about whether Olin Consolidated School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Olin Consolidated School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Olin Consolidated School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Olin Consolidated School District and other parties to whom Olin Consolidated School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Olin Consolidated School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
March 9, 2012

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

**Part II. Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

10. Certified Annual Reports - The Certified Annual Report was certified with the Department of Education timely and I noted no material errors in the amounts reported.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 466,450
Revenues		
Statewide sales and services tax revenue	\$ 157,478	
Other local revenues	<u>426</u>	157,904
Expenditures/transfers out		
School infrastructure		
Equipment	73,892	
Debt service for school infrastructure		
Revenue debt	<u>89,466</u>	<u>163,358</u>
Ending balance		<u><u>\$ 460,996</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Deficit Balance - The District's General Fund had an unreserved fund deficit of \$323,817 and a total fund deficit of \$271,000 and the School Nutrition Fund had an unrestricted net asset deficit of \$3,442 at June 30, 2011.

Recommendation - The District should investigate alternatives to eliminate these deficits in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion - Response accepted.

OLIN CONSOLIDATED SCHOOL DISTRICT

Audit Staff

June 30, 2011

This audit was performed by

Kay Chapman, CPA

Tammy Calvert, staff accountant